

Message Text

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PAGE 01 TOKYO 04113 160209Z
ACTION EA-12

INFO OCT-01 EUR-12 ISO-00 AID-05 CEA-01 CIAE-00
COME-00 EB-08 FRB-01 INR-10 IO-14 NEA-10 NSAE-00
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FM AMEMBASSY TOKYO
TO SECSTATE WASHDC PRIORITY 6119
TREASURY DEPT WASHDC PRIORITY
INFO AMEMBASSY BONN
AMEMBASSY BRUSSELS
AMEMBASSY LONDON
AMEMBASSY PARIS
AMEMBASSY ROME

UNCLAS TOKYO 4113

DEPT PASS FEDERAL RESERVE BOARD

USEEC

USOECN ALSO FOR EMBASSY

E.O. 11652: N/A
TAGS: EFIN, JA
SUBJECT: TOKYO REACTION TO U.S./GERMAN/STATEMENT ON/FOREIGN
EXCHANGE MEASURES

1. SUMMARY. DOLLAR DROPS IN TOKYO FOLLOWING U.S./GERMAN
ANNOUNCEMENT ON FOREIGN EXCHANGE MARKETS. OFFICIALS WELCOME
MOVES AND REASSURE SKEPTICAL PRESS THAT YEN FACET OF INTER-
NATIONAL MONETARY PROBLEMS HAS NOT BEEN NEGLECTED IN \$/DM DEAL.
END SUMMARY.

2. ECHOING THE OVERNIGHT REACTION OF EUROPEAN AND NEW YORK
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EXCHANGE MARKETS TO THE MARCH 13 ANNOUNCEMENT OF JOINT U.S./
WEST GERMAN AGREEMENT ON FOREIGN EXCHANGE MARKETS,
THE DOLLAR OPENED MARCH 14 IN TOKYO AT 233.50, OFF 2.5
YEN FROM THE PREVIOUS DAY'S CLOSE. THE DOLLAR CONTINUED
TO LOSE GROUND IN SUBSEQUENT TRADING, BREAKING TO A NEW
POSTWAR LOW OF 233.00 AT THE CLOSING. TRADING WAS ACTIVE
AND BANK OF JAPAN DOLLAR PURCHASES DURING THE DAY WERE

ESTIMATED AT \$100 MIL PRIVATE MARKET COMMENTATORS
GENERALLY VIEWED THE MARCH 13 ARRANGEMENTS AS NOTHING NEW
AND JUST APROCEDURE FOR GETTING MORE MONEY FOR INTERVENTION
WITHOUT GETTING AT THE FUNDAMENTAL PROBLEMS OF PAYMENTS
IMBALANCES.

3. WITH INTENSE PRESS INTEREST, OFFICIAL REACTION TO THE
U.S./GERMAN ANNOUNCEMENT WAS IMMEDIATE AND CAUTIOUSLY UPBEAT.
BOTH MINISSTRY OF FINANCE (MOF) VICE MINISTER FOR INTERNATIONAL
AFFAIRS MATSUKAWA AND BOJ VICE GOVERNOR MAEKAWA HELD LATE
NIGHT PRESS CONFEERNCS FOLLOWING RELEASE OF THE AGREEMENT
IN WASHINGTON AND BONN. ACCORDING TO PRESS REPORTS, FOLLOWING
WERE HIGHLIGHTS OF THEIR STATEMENTS.

4. MATSUKAWA SAID JAPAN WELCOMED THE MOVE AND SAID "THE
FACT THAT U.S. AND GERMANY HAD REACHED AGREEMENT ON CURRENCY
ISSUES WOULD HAVE A SUBSTANTIAL IMPACT NOT ONLY ON PROBLEMS
BETWEEN THOSE TWO COUNTRIES BUT ALSO ON STABILIZATION OF CUR-
RENCIES OF MANY OTHR NATIONS." HE WENT ON TO SAY THAT HE
HAD FREQUENTLY BEEN IN CONTACT BY PHONE WITH BOTH GERMANY
AND THE U.S. AND THAT COMPLIANTS IN JAPAN THAT JAPAN HAD
BEEN FORGOTTEN WERE NOT TRUE.

5. MAEKAWA'S COMMENTS WERE IN A SIMILAR VEIN. HE SAID
JAPAN VALUES THE MOVE HIGHLY AND BELIEVES IT WILL
CONTRIBUTE TO THE STABILILIZATION OF FOREX MARKETS WORLDWIDE.
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MAEKAWA NOTED THAT THE AGREEMENT WENT BEYOND NARROW FOREX
QUESTIONS TO INCLUDE COMPREHENSIVE COOPERATION BETWEEN THE
TWO COUNTRIES ON OVERALL ECONOMIC POLICES, INCLUDING U.S.
ENERGY POLICY. HE SOMEWHAT PONTEDLY WENT ON TO SAY THAT,
THOUGH THE U.S. HAD NOT INCLUDED JAPAN IN THE AGREEMENT, THE
U.S. HAD KEPT JAPAN FREQUENTLY INFORMED AND THE MEASURES
WOULD HAVE A BROADER IMPACT THAN JUST ON THE BILATERAL
\$/DM RATE. MAEKAWA ALSO SAID THAT THE ADVERSE INITIAL
REACTION IN EUROPEAN MARKETS WAS PROBABLY A REACTION TO
EXCESSIVE EXPECTATIONS.
SHERMAN

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